

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 L-02 FRB-03 OMB-01 TAR-01 SP-02 AGR-05

AID-05 CIAE-00 COME-00 INR-07 IO-10 LAB-04 NSAE-00

OIC-02 SIL-01 STR-01 TRSE-00 CIEP-01 CEA-01 AF-06

ARA-06 EA-06 EUR-12 NEA-09 /093 W

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FM USMISSION GENEVA

TO SECSTATE WASHDC 1259

INFO AMCONSUL AMSTERDAM

AMEMBASSY ATHENS

AMEMBASSY BERN

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AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LONDON

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EO 11652: N/A

TAGS: UNCTAD, EAID

SUBJ: UNCTAD EXPERT GROUP ON LDC DEBT PROBLEMS

1. SUMMARY. THE THIRD MEETING OF UNCTAD EXPERT GROUP ON LDC DEBT PROBLEMS MET FROM FEBRUARY 24 TO MARCH 7, 1975 TO COMPLETE REPORT FOR PRESENTATION TO 6TH SPECIAL SESSION TRADE AND DEVELOPMENT BOARD MEETING BEGINNING MARCH 10, 1975 AND SUBSTANTIVE CONSIDERATION AT 15TH BOARD (AUGUST, 1975). REPORT CONSISTS OF THREE SUBSTANTIVE SECTIONS: (1) ECONOMIC CONTEXT FOR EVALUATING SIGNIFICANCE OF DEBT SERVICE PAYMENTS; (2) AVOIDING DEBT SERVICING DIFFICULTIES; AND (3) REMEDIAL MEASURES. THE FIRST TWO SECTIONS AND THE FIRST PART OF THE THIRD SECTION ESSENTIALLY DESCRIBE PAST CONDITIONS AND PRACTICES AND FORM A USEFUL BACKGROUND REFERENCE FOR CONSIDERING DEBT SERVICING PROBLEMS, THE THIRD SECTION INCLUDES A PROPOSAL FOR PERMITTING A DEBTOR COUNTRY TO CONVENE AN AD HOC CONSULTATIVE MEETING (WITH LOGISTICAL SUPPORT FROM UNCTAD OR OTHER INTERNATIONAL ORGANIZATIONS) TO DISCUSS, WITH MAJOR CREDITORS, SELECTED OTHERS DEVELOPING COUNTRIES, AND INTERNATIONAL INSTITUTIONS, ITS DEBT SERVICING DIFFICULTIES AND GENERALLY TO PREPARE ITSELF FOR EVENTUAL NEGOTIATIONS WITH CREDITORS IN THE TRADITIONAL MULTILATERAL FRAME WORK. THIS PROPOSAL, AS WELL AS THE LANGUAGE IN OTHER SECTIONS OF THE REPORT, REPRESENTS CONSIDERABLE WATERING DOWN OF GROUP OF 77 DESIRES PRESENTED AT EARLIER MEETINGS OF THIS GROUP. GROUP B REPRESENTATIVES UNANIMOUSLY AGREED THAT REPORT, AS FINALLY NEGOTIATED LAST WEEK, REPRESENTS A VERY SATISFACTORY BASIS TO LAY TO REST THE MORE EXTREME G-77 DEMANDS AT LEAST THROUGH THE UNCTAD NAIROBI MEETING IN MID-1976. END SUMMARY.

2. IN FACE OF UNYIELDING RESISTANCE BY GROUP B, COUPLED WITH EXPRESSION OF WILLINGNESS TO WORK TOWARD AGREEMENT, GROUP OF 77 ABANDONED THEIR EXTREME POSITIONS ADVANCED AT MAY AND DECEMBER 1974 MEETINGS. WE PRESSED THE G-77 REPRESENTATIVES TO EXPRESS PRECISELY WHY THEY FEEL EXISTING INTERNATIONAL INSTITUTIONAL ARRANGEMENTS FOR DEBT RESCHEDULING ARE NOT COMPLETELY SATISFACTORY LIMITED OFFICIAL USE

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TO THEM. ESSENCE OF THEIR POSITION WAS THAT AN INDIVIDUAL DEBTOR COUNTRY ABOUT TO FACE UNITED CREDITOR FRONT WOULD: (A) LIKE OPPORTUNITY TO PRESENT ITS DEBT SERVICING PROBLEMS WITHIN A BROADER DEVELOPMENTAL CONTEXT; (B) LIKE TO HAVE BENEFIT OF EXPERIENCE OF OTHER DEBTOR COUNTRIES WHO HAD PERHAPS SIMILAR EXPERIENCE; AND (C) LIKE TO HAVE GENERAL DISCUSSION OF ITS SITUATION PRIOR TO ENTERING INTO FORMAL NEGOTIATIONS WITH CREDITORS.

IT WAS TO ACCOMPLISH THESE OBJECTIVES THAT GROUP OF 77
PRESSED FOR NEW INSTITUTIONAL ARRANGEMENTS UNDER AEGIS
OF UNCTAD. G-77 SPOKESMAN (PAKISTAN) STATED AT ONE
POINT THAT ULTIMATE OBJECTIVE IS CENTRAL ROLE FOR
UNCTAD IN DEBT POLICIES AND RENEGOTIATION EXERCISES,
TO BRING FULL FORCE OF G-77 "POLITICAL SOLIDARITY" TO
SUPPORT DEBTOR IN ORDER TO OFFSET WHAT HE CHARACTERIZED
AS "UNEQUAL AND UNJUST" POSITION OF A SINGLE DEVELOPING
COUNTRY FACING A UNIFIED PHALANX OF MANY CREDITOR
COUNTRIES.

3. GROUP B SPOKESMAN (UNITED STATES) MADE CLEAR
THAT WE WERE SATISFIED THAT EXISTING INSTITUTIONAL
ARRANGEMENTS WERE ESSENTIALLY PERFORMING THEIR FUNC-
TIONS WELL. WHILE WE RECOGNIZED SOME MERIT IN LDC
CONCERNS, IN NO CASE COULD WE ACCEPT A MAJOR INTER-
MEDIARY ROLE FOR UNCTAD--PRECISELY BECAUSE OF ITS
POLITICAL ORIENTATION--IN WHAT WERE FUNDAMENTALLY
NEGOTIATIONS BETWEEN DEBTOR AND CREDITOR COUNTRIES.
GROUP B STATED IT WAS PREPARED TO APPROACH THIS
"INSTITUTIONAL ISSUE" IN COOPERATIVE SPIRIT, PROVIDED
G-77 ADVANCED REALISTIC AND NOT EXTREME PROPOSALS.
MOREOVER, GROUP B SPOKESMAN, SUPPORTED BY NEARLY EVERY
MEMBER OF GROUP (NETHERLANDS, SOLE EXCEPTION, WAS
SILENT IN PUBLIC), MADE CLEAR AT VERY BEGINNING AND
AT SEVERAL POINTS DURING THE NEGOTIATIONS THAT WE
WERE FULLY PREPARED FOR THIS EXPERS GROUP TO EMERGE
WITH SPEARATE REPORTS FROM THE TWO BLOCS INSTEAD OF
A COMMON AGREEMENT, IF WE FELT THAT LDC'S COULD NOT
AGREE TO REASONABLE TEXT. FURTHER, WE EMPHASIZED
THAT, IF THERE WAS TO BE A COMMON REPORT OF EXPERTS
GROUP, AGREEMENT ON THE INSTITUTIONAL ISSUE WAS
ESSENTIAL, I.E., WE WOULD NOT ACCEPT NEGOTIATED
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LANGUAGE IN ALL OTHER SECTIONS OF THE REPORT COUPLED
WITH AN "AGREEMENT TO DISAGREE" ON THE CRUCIAL IN-
STITUTIONAL QUESTION--IT WOULD HAVE TO BE A TOTAL
PACKAGE OR NOTHING AT ALL. FINALLY, WE STRESSED THAT
IF AGREEMENT WAS REACHED AT THIS STAGE, IT WAS UNANI-
MOUS AND STRONGLY HELD POSITION OF GROUP B THAT ANY
ATTEMPT BY LDC'S TO RE-OPEN INSTITUTIONAL ISSUE AT
TDB OR UNCTAD WOULD RESULT IN GROUP B RETURNING TO OUR
ORIGINAL POSITION OF NO REPEAT NO INSTITUTIONAL MODI-
FICATION AT ALL, I.E., WE WOULD NOT ACCEPT THIS REPORT
MERELY AS STARTING POINT FOR NEW DEMANDS.

4. AGAINST THIS BACKGROUND, G-77 FIRST PRESSED FOR
CREATION OF AN AD HOC "EXPERTS GROUP", DRAWN EQUALLY
FROM CREDITOR AND DEBTOR COUNTRIES, TO CONSIDER UNDER

UNCTAD AUSPICES INDIVIDUAL DEBTOR COUNTRY PROBLEMS.
WHEN THIS WAS FLATLY REJECTED, THEY MOVED TO PROPOSAL
FOR UNCTAD CONVENING "PRE-CREDITIOR-CLUB" MEETING.
THIS WAS ALSO REJECTED, AND FINAL LANGUAGE OR REPORT
PROVIDES THAT "ANY ACTUAL DEBT RENEGOTIATION COULD BE
PRECEDED BY AN EXAMINATION, AT INTERNATIONAL LEVEL,
OF THE DEBTOR COUNTRY'S SITUATION IN A WIDER DEVELOP-
MENT CONTEXT. . . (TO) PROVIDE AN ADDED USEFUL BACK-
GROUND FOR EVENTUAL MULTILATERAL NEGOTIATIONS IN THE
CUSTOMARY FORA. . . THE DEBTOR COUNTRY, ACTING THROUGH
AND WITH THE ASSISTANCE OF UNCTAD OR ANY OTHER APPROP-
RIATE INTERNATIONAL INSTITUTION, COULD CONVENE AN
AD HOC MEETING, INVITING THE MAJOR CREDITIOR COUNTRIES
CONCERNED AND A NUMBER OF DEVELOPING COUNTRIES"

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ACTION EB-07

INFO OCT-01 ISO-00 L-02 FRB-03 OMB-01 TAR-01 SP-02 AGR-05

AID-05 CIAE-00 COME-00 INR-07 IO-10 LAB-04 NSAE-00

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ARA-06 EA-06 EUR-12 NEA-09 /093 W

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R 101730Z MAR 75

FM USMISSION GENEVA

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INFO AMCONSUL AMSTERDAM

AMEMBASSY ATHENS

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PLUS, AS OBSERVERS, IMF, OECD, REGIONAL DEVELOPMENT
INSTITUTIONS AS APPROPRIATE, UNCTAD, AND WORLD BANK.
THE MEETING, CHAIRED BY A DEVELOPING COUNTRY, "COULD
EMERGE WITH A REPORT. . . WITHOUT MAKING RECOMMENDA-
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TIONS WITH REGARD TO VOLUME, TERMS, AND CONDITIONS OF
AN EVENTUAL DEBT REORGANIZATION AGREEMENT."

5. GROUP B FELT THAT THIS SECTION REPRESENTED VERY
SATISFACTORY BASIS FOR COMPROMISE BECAUSE IT EXPLICIT-
LY STATED THAT " EXISTING INSTITUTIONS HAVE SERVED
ADQUATELY" AND FURTHER OBTAINED LDC COMMITMENT TO
"CONSTOMARY FORA", I.E., CREDITOR CLUBS RATHER THAN SOME
NEW UNCTAD MECHANISM. ADDITIONALLY, A FURTHER PARA-
GRAPH PROVIDES THAT UNCTAD WOULD BE INVITED AS OBSERVER
TO THE ACTUAL MULTILATERAL DEBT RENEGOTIATIONS, BUT
GROUP B MEMBERS FELT THAT THIS WAS SOMETHING WHICH
DEBTOR CONTRY COULD HAVE REQUESTED IN ANY CASE AND
THAT SUCH UNCTAD PARTICIPATION WOULD NOT WEAKEN CREDI-
TORS' BASIC POSITION IN RENEGOTIATION.

6. "REMEDIAL MEASURES" SECTION OF REPORT ALSO INCLUDES
LANGUAGE WHICH, IN PLACE OF LDC DESIRE FOR "GUIDING
PRINCIPLES" FOR DEBT RESCHEDULING, MERELY DESCRIBES
CERTAIN "COMMON ELEMENTS" DERIVED FROM HISTORICAL
EXEPRIENCE, AND NAILS DOWN THAT " IT IS NOT REPEAT NOT
POSSIBLE TO EXTABLISH GENERAL CRITERIA FOR DEBT RELIEF
APPLICABLE TO ALL COUNTRIES" AND THAT " THE PARTICULAR
CIRCUMSTANCES OF INDIBIDUAL DEBTOR COUNTRIES, WHEN
CONSIDERED ON A CASE-BY-CASE BAIS, MAY WELL REQUIRE
MODIFICATIONS AND EXCEPTIONS TO THESE COMMON ELEMENTS."
WE CONSIDER LDC AGREEMENT ON THIS LANGUAGE IN UNCTAD
DOCUMENT AS PARTICULARLY USEFUL. MOREOVER, THE
"COMMON ELEMENTS" THEMSELVES ARE COMPLETELY CONSIS-
TENT WITH GROUP B ORIGINAL POSITIONS.

7. ATMOSPHERE OF MEETING CONCILIATORY AT THE BEGIN-
NING, DETERIORATED SOMEWHAT AT THE END DURING LATE

NIGHT SESSIONS DUE TO INTRANSIGENCE OF ALGERIAN, ARGENTINE AND, TO LESSER EXTENT, PAKISTANI "EXPERTS", WHO CAME FROM GENEVA MISSIONS RATHER THAN CAPITALS AND WHO UNDERSTOOD LITTLE OR NOTHING ABOUT DEBT RELIEF, BUT QUIBBLED WITH LANGUAGE AIMING AT POLITICAL OBJECTIVES. IRONICALLY, TIME AFTER TIME GROUP B EMERGED FROM THESE FENCING MATCHES AFTER NUMEROUS FORMULATIONS AND COUNTER-FORMULATIONS, WITH LANGUAGE EVERN STRONGER LIMITED OFFICIAL USE

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OR TIGHTER THAN ORIGINALLY PROPOSED. INDIAN REPRESENTATIVE (FROM DELHI), PLAYED CONCILIATORY ROLE THROUGHOUT, WHILE EXPERS FROM CAPITALS FROM BRAZIL, MEXICO, IVORY COAST AND KOREA, DURING PRIVATE G-77 MEETINGS, WITHSTOOD DEMANDS OF EXTREME ELEMENTS FOR "POLITICAL SOLIDARITY" AND WORKED TOWARD REASONABLE ACCORD.

8. AT ELEVENTH HOUR, LATE FRIDAY NIGHT, US SPOKESMAN, WITH UNANIMOUS BACKING OF GROUP B, BROKE AN IMPASSE (BROUGHT ON BY ALGERIA'S REOPENING PREVIOUSLY AGREED POINTS) BY LAYING DOWN A FIVE-POINT PACKAGE, OFFERING CONCESSIONS IN THE INNOCUOUS FIRST TWO SECTIONS OF THE REPORT, BUT REMAINING FIRM ON THE CRUCIAL REMEDIAL MEASURES" SECTION--TAKE IT OR LEAVE IT. AFTER A TENSE HALF HOUR G-77 CAUCUS, THEY TOOK IT.
DALE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, DEBT REPAYMENTS, FOREIGN ASSISTANCE, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975GENEVA01620
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750083-0964
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750364/aaaacgap.tel
Line Count: 308
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2003 by KelleyW0>; APPROVED <08 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: UNCTAD EXPERT GROUP ON LDC DEBT PROBLEMS
TAGS: EAID, UNCTAD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006